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AZ CORP COMMISSION
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BEFORE THE ARIZONA

CORPORATION COMMISSION

IN THE MATTER OF THE
APPLICATION OF ARIZONA
PUBLIC SERVICE FOR A HEARING
TO DETERMINE THE FAIR VALUE
OF THE UTILITY PROPERTY OF
THE COMPANY FOR RATEMAKING
PURPOSES, TO FIX A JUST AND
REASONABLE RATE OF RETURN
THEREON, AND TO APPROVE RATE
SCHEDULES DESIGNED TO
DEVELOP SUCH RETURN.

Docket No. E-01345A-08-0172

**NOTICE OF FILING DIRECT
TESTIMONY OF SAMUEL
ELLIOTT HOOVER II**

Pursuant to the Chief Administrative Law Judge's
Procedural Order (p. 3) dated July 29, 2008, Intervenors
Local Union 387, International Brotherhood of Electrical
Workers, AFL-CIO, CLC ("IBEW Local 387"), Local Union 640,
International Brotherhood of Electrical Workers, AFL-CIO,
CLC ("IBEW Local 640"), and Local Union 769, International
Brotherhood of Electrical Workers, AFL-CIO, CLC ("IBEW Local
769"), by and through undersigned counsel, hereby provide
notice of its filing of the attached Direct Testimony of
Samuel Elliott Hoover II in this docket.

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Arizona Corporation Commission

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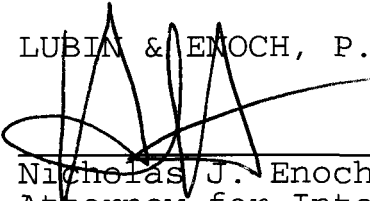
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1 RESPECTFULLY SUBMITTED this 19th day of December 2008.

2 LUBIN & ENOCH, P.C.

3 
4 Nicholas J. Enoch, Esq.
5 Attorney for Interveners
IBEW Locals 387, 640 & 769

6 Original and thirteen (13) copies
7 of Interveners' Notice filed
this 19th day of December, 2008, with:

8 Arizona Corporation Commission
9 Docket Control Center
1200 West Washington Street
Phoenix, Arizona 85007-2996

10 Copies of the foregoing
11 transmitted electronically or
via regular mail this same date to:

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13 Hearing Division
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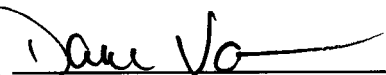
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Testimony of Samuel Hoover II

1 **Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A1. Samuel Elliott Hoover II. My business address is 5818
3 North 7th Street, Suite 201, Phoenix, Arizona 85014.
4

5 **Q2. PLEASE DESCRIBE YOUR RECENT EMPLOYMENT.**

6 A2. I am the elected President of Intervenor Local Union
7 387, International Brotherhood of Electrical Workers,
8 AFL-CIO, CLC ("IBEW Local 387"). I have held this
9 position since 2001 and before that I was a member of
10 IBEW Local 387's Executive Board for three (3) years.
11

12 On December 17, 2008, I addressed and answered
13 questions from this Commission regarding Arizona Public
14 Service Company's ("APS") request for interim rate
15 relief and the IBEW Locals' support thereof. Included
16 therein, I discussed my background with IBEW Local 387
17 and APS. For the sake of brevity, I would like to
18 incorporate herein, by reference, my comments to the
19 Commission. As soon as a transcript of my remarks is
20 prepared, I will have it filed with the Commission as
21 Exhibit A to this testimony.
22

23 **Q3. WHO IS IBEW LOCAL 387?**

24 A3. IBEW Local 387 is a labor organization which, for the
25 most part, represents non-managerial utility workers
26 throughout most of the State of Arizona. For example,
27 IBEW Local 387 is the duly elected and recognized
28 exclusive bargaining agent for a substantial number of

1 employees of Arizona Water Company, Asplundh Tree
2 Expert Company, Graham County Electric Cooperative,
3 Inc., Navopache Electric Cooperative, Inc., and the
4 Santa Cruz District of UniSource Energy Corporation.
5 IBEW Local 387 is also the duly elected and recognized
6 exclusive bargaining agent for approximately two-
7 thousand three-hundred (2,300) employees of APS. IBEW
8 Local 387 and APS have entered into a long series of
9 collective bargaining agreements ("CBA") dating back to
10 1945 concerning rates of pay, wages, hours of
11 employment, and other terms and conditions of
12 employment. Our current CBA with APS has been extended
13 to April 1, 2010.

14
15 **Q4. DO YOU BELIEVE APS IS A RESPONSIBLE CORPORATE CITIZEN?**

16 A4. Absolutely. While by no means perfect, the
17 relationship between IBEW Locals 387 and APS is one
18 which is mature, stable and in accordance with the
19 mission of IBEW Local 387, a copy of which is attached
20 hereto as Exhibit B. It is clear that this stability
21 has enured to the benefit of APS, its employees, and
22 customers. In my opinion, the importance of the
23 relationship between a public service corporation and
24 its employees cannot be overstated. I firmly believe
25 that my opinion in this regard is shared by the
26 executives at APS.

27
28 **Q4. WHO IS IBEW LOCAL 640?**

1 A4. Local Union 640, International Brotherhood of
2 Electrical Workers, AFL-CIO, CLC ("IBEW Local 640") is
3 a sister local of IBEW Local 387. While IBEW Local 640
4 represents some employees outside of the
5 electrical/utility industry, it would be fair to say
6 that IBEW Local 640's primary interest in this case is
7 in its role as the supplier of highly-skilled employees
8 to the Palo Verde Nuclear Generating Station ("Palo
9 Verde") through an International Maintenance Agreement.
10 This agreement was entered into between Bechtel Power
11 Corporation ("Bechtel"), the contractor for APS's
12 construction workers at Palo Verde, and the Building
13 and Construction Trades Department, AFL-CIO, its
14 constituent International Unions, and their affiliated
15 Local Unions. Bechtel has recognized the Unions as the
16 sole bargaining agents for all employees in the
17 classifications covered in their respective agreements
18 that will be working on the project. Currently, IBEW
19 Local 640 also provides employees to APS as part of a
20 task force assembled to assist in underground
21 construction in residential housing developments. IBEW
22 Local 640 is currently providing approximately sixty
23 (60) electricians to this task force.

24
25 **Q5. WHO IS IBEW LOCAL 769?**

26 A5. Like IBEW Local 640, Local Union 769, International
27 Brotherhood of Electrical Workers, AFL-CIO, CLC ("IBEW
28 Local 769") is another of our sister locals. IBEW

1 Local 769 is a labor organization which represents non-
2 managerial utility workers throughout the State of
3 Arizona. For example, IBEW Local 769 is the duly
4 elected and recognized exclusive bargaining agent for
5 the employees of the Mohave County Electric Operations
6 of UniSource, Mohave Co-Op, Frontier Communications and
7 Dynegy (Griffith Power Plant). In addition, IBEW Local
8 769 is the exclusive bargaining agent for all IBEW
9 outside line workers in the State of Arizona and its
10 scope of work also includes tele-data, street light and
11 trenching. For example, IBEW Local 769 has recently
12 provided outside line construction work for APS through
13 Argent Construction, Inc., Wilson Construction,
14 Klondyke, NPL, Henkels & McCoy and Sturgeon Electric.
15 Currently, IBEW Local 769 is providing bargaining unit
16 employees to Argent Construction, Inc. for the
17 installation of sub-transmission lines for APS. At any
18 given time, IBEW Local 769 will have anywhere from five
19 (5) to two-hundred (200) of its bargaining unit
20 employees working for subcontractors of APS.

21
22 **Q6. ARE IBEW LOCALS 387, 640, AND 769 SEPARATE LEGAL**
23 **ENTITIES?**

24 A6. Yes. In addition, it is well-settled that our
25 International Union and its constituent local unions,
26 including my own, are also separate legal entities.
27 That being said, the various IBEW Local Unions in the
28 State of Arizona meet on a regular basis to discuss

1 issues of mutual concern and, general speaking, we are
2 familiar with and supportive of the actions of each
3 other.

4
5 **Q7. DO IBEW LOCALS 387, 640, AND 769 HAVE A STAKE IN THIS**
6 **PROCEEDING OTHER THAN IN THEIR CAPACITY AS LABOR**
7 **ORGANIZATIONS?**

8 A7. Yes. As building owners in APS's service territory,
9 each of the Locals fall within the definition of a
10 "small-business" customer under the E-32 Rate Plan -
11 i.e., the standard plan for APS commercial customers
12 who have a demand of less than 3,000 kilowatts a month.

13
14 **Q8. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

15 A8. I am testifying in support of APS's Application for a
16 rate hike.

17
18 **Q9. WHY IS THE PROPOSED RATE HIKE IN THE PUBLIC INTEREST?**

19 A9. Any public service corporation is entitled to a fair
20 rate of return on the fair value of its property, no
21 more and no less. IBEW Locals 387, 640, and 769 firmly
22 believe that APS's request rate hike meets this test.

23
24 As you know, Article XV, §3 of the Arizona Constitution
25 expressly states that the interests of public service
26 employees are on par with those of patrons. It reads
27 as follows:

28 The corporation commission shall have

1 full power to, and shall... make
2 reasonable rules, regulations, and
3 orders, by which such [public service]
4 corporations shall be governed in the
5 transaction of business within the State,
6 and... make and enforce reasonable rules,
7 regulations, and orders for the
8 convenience, comfort, and safety, and the
9 preservation of the health, of the
10 **employees** and patrons of such
11 corporations[.]

12
13 It goes without saying that it costs a substantial
14 amount of money for a public service corporation
15 to hire, train, and maintain a highly skilled work
16 force. Similarly, it costs a great deal of money
17 for any public service corporation to preserve the
18 safety and health of its employees and patrons.
19 Unlike APS's rates - at least until yesterday -
20 the wages paid by APS to its employees and
21 indirectly the employees of its contractors have
22 continued to rise over the past few years. Given
23 the aging of APS's workforce and, indeed, the
24 utility workforce in general, it is critically
25 important that APS have the financial ability to
26 attract and retain a highly skilled workforce.
27 This is particular true if APS continues to grow
28 at even a fraction of the rate that it has in

1 recent years. As to this point, I fully agree
2 with Donald E. Brandt's observation in his direct
3 testimony (p. 55) that "[e]xhortations to 'work
4 harder' and 'work smarter' cannot change the
5 fundamental nature of increasing marginal costs of
6 serving an ever growing base of customers." Our
7 International President, Edwin D. Hill, made
8 similar points in his 2008 State of Our Union
9 address regarding the utility sector, the webcast
10 of which is available at
11 www.ibew.org/sou-cbs/index.asp.

12
13 In these tremendously difficult economic times, I am
14 certain that many in the public may not understand, or
15 want to understand, the need to raise their electric
16 rates, in part, for this reason but I can assure you,
17 APS is competing for a talented workforce, particularly
18 when it comes to linemen, substation electricians and
19 those working in generation. Unlike most of the
20 national and local economy, this is one portion of the
21 job market where demand outpaces supply. Unless APS
22 has the ability to provide a highly competitive
23 employment package, you can be assured that APS and, in
24 turn, the public will suffer. I hope that this
25 Commission and the other parties, including most
26 notably the Residential Utility Consumer Office, bear
27 this is mind. For in my opinion, it is in the "the
28

1 interests of residential utility consumers"¹ to have a
2 highly skilled workforce providing safe and reliable
3 service even if that means that they are paying, what
4 they believe to be at least, something more than rock-
5 bottom prices for electric service. To this end, IBEW
6 Locals 387, 640, and 769 believe that the rate relief
7 proposed in this case will help ensure that APS will be
8 able to meet its commitments to its employees and
9 customers in the years to come.

10
11 **Q10. DOES THIS CONCLUDE YOUR TESTIMONY?**

12 **A10. Yes.**

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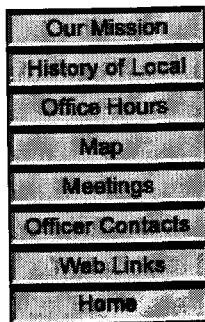
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¹ See A.R.S. §40-462 (A).

Exhibit A

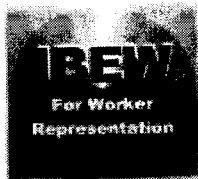
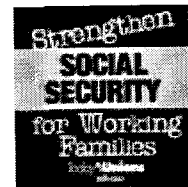
To be added at a later date

Exhibit B



IBEW387.COM

Our Mission



IBEW LOCAL 387'S MISSION

Our local stands for quality of life, protection of human rights, individual accountability, and promotion of employment and job stability for all workers.

We recognize that for our local to prosper and grow, so must our companies. Therefore, we will find ways to further the interests of our membership, other employees, our companies, and the public.

To do this, we will promote, support and where necessary demand:

- aggressive organizing
- needed work place changes of mutual advantage
- a safe work environment for all
- sensitivity to diversity
- a highly skilled and productive work force
- an understanding of labor's essential role in the workplace of the future.

SAFETY

The safety of our members, co-workers and the public is a paramount concern at IBEW Local 387, and will be evident by our commitment to safe work practices, training and tools.

We will promote safe and reasonable methods of work. We will continue to promote effective safety training and share innovative safety practice ideas throughout our membership.

DIVERSITY

The members of IBEW Local 387 are our greatest asset. Our success in the future will largely depend on our ability to recognize and respect our cultural differences.

We will recognize each brother and sister as being different, yet equal, and value the differences.

We will respect and be knowledgeable about these differences.

We will be committed, qualified, flexible and willing to educate and inform our members in order to ensure diversity.

ORGANIZING

To organize all workers in the electrical industry, within our jurisdiction, into IBEW Local 387.

We will by legal and proper means promote a higher standard of living through organized labor.

We will cultivate feelings of friendship and brotherhood/sisterhood among those of our industry.

We will seek to promote an understanding of our values, goals, direction and commitment regarding the work force in our industry and to the general public.

COMPETITIVE COMPANY

We recognize that the successful growth of our companies is beneficial to both IBEW Local 387 and our companies.

We believe a strong Union benefits our members' employers.

We will demand and aggressively demonstrate the need to maintain a qualified, knowledgeable and technically superior work force to ensure the production of a reliable high-quality product that enables our companies to be competitive in the rapidly changing and growing marketplace.

AGGRESSIVE ORGANIZING

To organize all workers in the electrical industry, within our jurisdiction, into IBEW Local 387.

We will by legal and proper means promote a higher standard of living through organized labor.

We will cultivate feelings of friendship and Brotherhood/Sisterhood among those of our industry.

We will seek to promote an understanding of our values, goals, direction, and commitment regarding the work force in our industry and to the general public.

MUTUAL ADVANTAGE

The Local Union agrees for its members that they will individually and collectively perform loyal and efficient work and service; that they will use their influence and best efforts to protect the property of our companies and its service to the public; and that they will cooperate in promoting and advancing the welfare of our companies and the company's growth as a strong competitor in the utility industry.

UNDERSTANDING OF LABOR'S ESSENTIAL ROLE IN THE WORK FORCE OF THE FUTURE

We, as IBEW Local 387 members, must recognize that labor's role in the future work force depends on our adaptability, flexibility, and everyone recognizing our diversity.

We will demand a safer work place and we will continue to protect employee rights.

We recognize that a strong union benefits the company ... a strong union means a strong company.

We will demand to be involved in all decision making processes that will create a more positive work environment.

QUALITY OF LIFE

We will continue to seek a higher and higher standard of living for the Brothers and Sisters of IBEW Local 387 by securing competitive wages, benefits, and reasonable working hours.

Our Brothers and Sisters continued employability will be a result of vigorous and aggressive training and skill development.

PROTECTION OF HUMAN RIGHTS

The leadership, officers and membership of IBEW Local 387 must demand that safe working conditions, organizing, fair and equitable treatment, and dignity on the job are negotiable conditions.

The membership as a whole must seek the proper means to elevate the moral, intellectual and social conditions of our members, their families, dependents and the community toward a higher standard of citizenship.

PROMOTION OF EMPLOYMENT AND JOB STABILITY

Our goal is to increase employment at our companies through growth and production with the most qualified labor force in the electrical industry.

We will cooperate with our companies to train and promote skilled employees within the membership of IBEW Local 387 and through this effort our companies can grow and provide more job stability in the work place of the future.

INDIVIDUAL ACCOUNTABILITY

The Local Union agrees for its members, that they will individually and collectively perform loyal and high quality work and service; that they will use their influence and best efforts to protect the property of the companies and its service to the public; and that they will cooperate in promoting and advancing the welfare of the companies and the protection of its service to the public at all times.